

MONTANA BOARD OF HOUSING

Glacier Bank  
(training room in S. Building)  
202 Main St.  
Kalispell, MT 59901  
August 6, 2007

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)  
Betsy Scanlin, Vice Chairman (Present)  
Susan Moyer, Secretary (Present)  
Audrey Black Eagle (Absent)  
Bob Gauthier (Present)  
Jeanette McKee (Present)  
Jeff Rupp (Present)

STAFF: Mat Rude, Multifamily Program Manager  
Chuck Nemec, Accounting & Finance Manager  
Nancy Leifer, Homeownership Program Manager  
Penny Cope, Marketing & Web Specialist  
Gerald Watne, Multifamily Program Officer  
Jeannene Maas, Homeownership Program Specialist  
Justin Schedel, Multifamily Program Specialist

COUNSEL: Pat Melby, Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray  
Beth Siville, GK Baum

OTHERS: Gerald Fritts, Evergreen Int.  
Bill Darling, Mann Mortgage  
Dale Linhart, US Bank  
Roger Linhart, US Bank  
Sheryl Krocek, US Bank  
Carl Scott, ERHIC\HAZ\NMAR  
Jan Schlegel, Montana Mortgage  
Lynn Moon, City of Kalispell, GAHF  
Stephen B Clark, S.B. Clark Companies  
Colleen McCarthy, Helena Housing Authority  
Nancy Combs, Sanders Co. Community Housing Org.  
Pat Sands, Remax/Polson  
Murgi Riso, Glacier Bank  
Todd Prescott, Whitewater Creek Inc.  
Doug Rauthe, NW MT Human Resources

Carol Lichner, USDA-Rural Development  
Jane Foley, Glacier Bank  
SueAnn Grogan, Whitefish Housing Authority  
Karen Burkett, Real Estate Mgmt Spec.  
Jim Oliverson, Kalispell Regional Medical Center  
Carol Holman, Farmers State Bank, Victor  
Jennifer Wheeler, Glacier Bank  
Tim German, Sparrow Group  
Rachel Baker, Wells Fargo Home Mortgage  
Gary Hall, Flathead County  
Patti Gregerson, Habit for Humanity Flathead Valley  
Andrea Davis, Missoula Housing Authority  
John G. Weaver, Foundation for Correctional Innovation  
Kevin Smythe, Foundation for Correctional Innovation  
Jan Niemeyer, Lake County Community Housing  
Deborah Mills, Montana Brokers  
Timothy Norton, Scotland  
Bill Baum, Realtor, teacher, ecologist

### **CALL MEETING TO ORDER**

Chairman, J. P. Crowley, called the meeting to order at 8:30 a.m. J. P. Crowley asked the Board, staff, and guests to introduce themselves.

### **APPROVAL OF MINUTES**

Betsy Scanlin moved to approve the July 9th Board meeting minutes and the July 23 & 25 conference call minutes. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

### **PUBLIC COMMENTS**

J. P. asked for any public comments on issues not on the agenda. Doug Rauthe of the NW MT Human Resources, Patty Gregerson said Habitat for Humanity for Flathead Valley, Gary Hall, a County Commissioner, Bill Darling of Mann Mortgage, Andrea Davis of the Missoula Housing Authority, Lynn Moon of the City of Kalispell and Glacier Affordable Housing Foundation and Sue Ann Grogan of the Whitefish Housing Authority (WHA) all addressed the Board with information on respective projects and communities.

Gerald Fritts of Evergreen International thanked the Board for the Tax Credits for a project in Bigfork and asked the Board to consider his application for a conduit debt financing for Treasure Manor in Libby. Staff informed the Board that his request was not received in time to include on the agenda so it was not publicly noticed and could not be considered at this meeting but would be put on a future agenda if he would like.

### **MULTIFAMILY PROGRAM**

Mat Rude presented the South Forty Apartments conduit loan final resolution request for \$5,100,000 private placement bond cap authority. He notified the Board the staff negotiated a 12.5% annual spread on the mortgage to be paid to the Board to cover operating costs. In the future, projects should plan on having a 25% fee assessed. This addition to our conduit bond policy would be brought to the Board next month. Betsy moved to approve the final resolution for the South Forty Apartments. Jeanette McKee seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

There were two Reverse Annuity Mortgage (RAM) exceptions to the lump sum limit. Betsy Scanlin moved to approve the RAM exceptions. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Mat presented the proposed amended 2008 QAP and asked for public input:

Gerald Fritts commented that he would like to see the QAP address 4% bond applications specifically and separate from the 9% competitive. He would also like to see the 9% competitive application be more objective rather than subjective.

Colleen McCarthy of the Helena Housing Authority, Steve Clark who is financial advisor for Helena Housing Authority, Andrea Davis of the Missoula Housing Authority, Tim German of the Sparrow Group and Doug Rauthe of the NW MT Human Resources all participated in the discussion with the Board concerning including additional points for projects that targeted 30% of AMI tenants and the allocation of points for non-profit participation. In general, audience members voiced concerns for including additional points to target 30% AMI since these tenants tend to need more intensive supportive services.

Betsy Scanlin moved to adopt the QAP. Jeanette McKee seconded the motion. Betsy Scanlin then moved to amend the proposed QAP to eliminate the 30% of the lowest extra points. Susan Moyer seconded the amended motion. Betsy commented that with the commitment we should begin to explore ways to provide additional services for that population. The Chairman asked for the vote for those in favor of Betsy's motion to remove the 30% characteristic from the QAP. The motion failed with Betsy, Jeanette and Susan voting in favor of the motion and Bob, Jeff, and JP voting against the motion.

The Board then discussed at length, with input from staff and the audience, the issue of how to allocate points to non-profit participation. After this discussion Jeff asked for the question on the main motion to approve the QAP as is presented. Mat reminded the Board there was still one comment concerning the issue around 4% tax credit applications the Board had not yet discussed. J. P. Crowley said the question has been called. A vote was taken on the question with Jeff and Susan voting in favor of the motion and Betsy, Bob, JP, and Jeanette voted against the motion, so the motion failed.

The Board then discussed at length, with input from staff and the audience, the request of Gerry Fritts that he would like to see the QAP address 4% bond applications specifically and separate from the 9% competitive. He would also like to see the 9% competitive application be more objective rather than subjective. After this discussion there were no amendments proposed by Board members so J P reminded the Board there is a motion on the table to approve the QAP as stated. He asked for the vote. The motion passed unanimously.

## **FINANCE PROGRAM**

Chuck Nemec gave the quarterly investment report. The yield and diversification report demonstrates that MBOH is in compliance with the Investment Policy. Chuck gave an investment listing by maturity date and by individual security.

## **HOMEOWNERSHIP PROGRAM**

Nancy Leifer said approximately \$18 million in loans have been reserved out of the Bridge Program until the new bond issue closes on Thursday and none of the loans have been purchased, which leaves approximately \$32 million left in the bond issue. The mortgage rate of 6% is where MBOH should be at about .5% under market rate. The average loan amount has increased about 40% over the past five years, with this July averaging \$121,000 versus this time last year at \$108,000. The full spread on the new bond issue is 6.08%.

The Homeownership update included a sample letter that was mailed to the participating lenders. It lists consequences for submitting incomplete purchase packages. Lenders have confirmed that because MBOH was not enforcing penalties in the past, the packages were not submitted by the standard necessary for staff to purchase the loans. MBOH offers Go to Meeting training online and a checklist to help lenders.

MBOH has requested that Wells Fargo complete a corrective action plan detailing how they will make sure all their hazard insurance meets our guidelines. MBOH also requested a corrective action plan to be able to identify their MBOH loans. Nancy thanked our intern, Shane Clayton, for his work on the audit and also Rachael Baker of Wells Fargo for following up the work.

Nancy presented a communication from Pat Melby, legal counsel, and also letters from lenders and Jim Morton of the Human Resource Council regarding the 35% rule. The Chairman asked for public comments. Bill Darling of Mann Mortgage, Jan Schlegel of Montana Mortgage, Carol Holman of Farmers State Bank in Victor, Dale Linhart of US Bank in Hamilton, Roger Linhart of US Bank in Missoula, Sue Ann Grogan of the Whitefish Housing Authority and Cal Scott of the HAL addressed the Board on their concerns with the 35% rule. The Board discussed the issue at length and asked the staff to come back with options at our next meeting.

Nancy presented the setaside summary which showed that almost \$20 million was used from regular bond funds to make set-aside loans. At the same time, the Board took in about \$10 million in pre-Ullman recycle funds, indicating that pre-Ullman funds alone are not sufficient to keep meeting the needs for set-aside loans. Staff recommended raising the setaside rate to 5.5% effective October 1<sup>st</sup> to give lenders and nonprofits almost two months to help prospective borrowers find homes and make loan reservations at the lower rate. Bob Gauthier moved to increase the setaside rate to 5.5% beginning October 1<sup>st</sup>. Jeanette McKee seconded the motion. The motion passed unanimously.

Betsy gave an update on the mobile home tour in Red Lodge. MBOH funded the option to purchase the land. There will be a charette this weekend to design the lots. Betsy hopes it will be a prototype for other projects. Nancy reported that there are 4 potential buyers for the Cooper Street properties.

Jan Neimeyer of Lake County Community Housing in Ronan gave an update on their setaside program and requested an extension of the setaside. Nancy said this type of program has been added to the pool for down-payment assistance and she proposed adding them to the pool, which Mr. Neimeyer favored.

#### EXECUTIVE DIRECTOR

Bruce gave the Board a copy of the letter that the Chairman sent to Senator Baucus. He also gave them copies of new policies to put in their binders. Bruce also noted the press release and the Housing Division Highlights that Penny has done for public relations.

The next meeting is scheduled for September 10<sup>th</sup> in Lewistown. Future meetings are tentatively scheduled for October 15<sup>th</sup> in Shelby and November 19<sup>th</sup> via Met-Net Video Conference in Helena.

The meeting adjourned at 12:45 a.m.

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Susan Moyer, Secretary

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Date